

Incentives For Preserving Your Community's Past

The Mills Act & Beyond

Presented by Shannon Lauchner
California Office of Historic Preservation
City of Placerville
June 5, 2015



Historic Preservation Incentives

“Successful historic preservation programs make available positive incentives, providing property owners financial & technical tools that help give new life to historic properties.”

-City of Los Angeles Office of Historic Resources

Incentive Categories

Financial Incentives

- Federal Historic Preservation Tax Incentive Program
- The Mills Act- State Enabling Legislation Administered at the Local Level
- Local Loan or Grant Programs



Incentive Categories

Technical Incentives

- California Historical Building Code
- Local code or zoning variances



Federal Historic Preservation Tax Incentive Program

Also Known As...

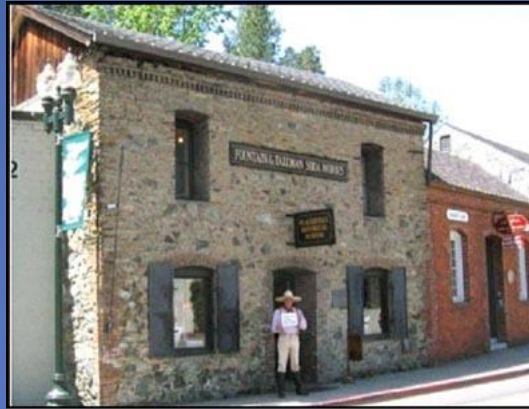
- The program is often referred to as the Federal Tax Credit Program.
- The Current federal incentives for preservation were established in the Tax Reform Act of 1986.

Federal Tax Credit Program

- Encourages private sector investment in rehabilitation and re-use of historic buildings.
- Creates jobs and is one of nation's most successful community revitalization programs.
-
- The National Park Service and the [Internal Revenue Service](#) administer the program in partnership with [State Historic Preservation Offices](#).



Federal Tax Credit Program



10% Tax Credit

- The 10% tax credit is available for the rehabilitation of non-historic buildings placed in service before 1936.
- The building must be rehabilitated for non-residential use.
- There is no formal review process for rehabilitations of non-historic buildings. Learn more about this credit in [Historic Preservation Tax Incentives](#).

Federal Tax Credit Program



20% Tax Credit

- Credit equals 20% of the [qualifying expenses](#) of rehabilitation.
- Only available to revenue –producing properties.
- Must be a "substantial" rehabilitation

Federal Tax Credit Program



20% Tax Credit

- Must be “certified as a historic structure” by the National Park Service.
 - A property listed in, or eligible for, the National Register of Historic Places
 - A contributor to a Certified Local
- Rehabilitation work has to meet the [Secretary of the Interior's Standards for Rehabilitation](#), as determined by the National Park Service.

Tax Credit Program Information



National Parks Service:

<http://www.nps.gov/tps/tax-incentives.htm>

California Office of Historic
Preservation:

http://ohp.parks.ca.gov/?page_id=25007

OHP Contact:

Senior Restoration Architect

Timothy Brandt, AIA

LEED AP

Timothy.Brandt@parks.ca.gov

The California Historic Building Code

California Historic Building Code

- The **CHBC** is intended to save California's architectural heritage by recognizing the unique construction issues with maintaining and adaptively reusing historic buildings.
- The **CHBC** provides alternatives for permitting repairs, alterations and additions need for the preservation or rehabilitation of a "qualified historical building or structure."



What Qualifies?

- A "***qualified historical building or structure***" is a structure or property, collection of structures, and their associated sites deemed of importance to the history, architecture, or culture of an area by an appropriate local or state governmental jurisdiction.
- Any property listed in:
 - National Register of Historic Places
 - California Register of Historical Resources
 - State Historical Landmarks
 - State Points of Historical Interest, or
 - A local register



For Additional Information on the California Historic Building Code

Go to:

The California Office of Historic Preservation website at
http://ohp.parks.ca.gov/?page_id=21410

Or

The State Historical Building Safety Board website at
<http://www.dgs.ca.gov/dsa/AboutUs/shbsb.aspx>

The Mills Act

What is the Mills Act?

- A local property tax incentive to encourage restoration, rehabilitation and preservation of privately owned historic resources.
- A program designed and administered by the local government with help from the assessor, without state government oversight.



The State Law



- The Mills Act is found at California Government Code, Article 12, Sections 50280 through 50290.
- State enabling legislation creates a loosely framed program.
- All of the authority for the program is given to local governments.

The State's Role in Mills Act

- There is NO state oversight. The authority rests with the local governments and disputes are handled by the courts.
- The Office of Historic Preservation advises property owners and local governments.
- The Board of Equalization advises and interprets the law for County Assessors.



How Does the Mills Act Work?

- A local government with a Mills Act Program may enter into a contract with the owner of a property to restore, rehabilitate, or maintain their property in exchange for property tax savings.
- The property must meet the definition of a “qualified historical property.”



What Qualifies?


A “*qualified historical property*” is a privately owned property that is not exempt from property taxation and is either:

- Listed in the National Register of Historic Places
- or
- Listed in any state or local register of historical or architectural resources, sites, or landmarks:
 - California Register of Historical Resources
 - California Historical Landmarks
 - California Points of Historical Interest
 - Locally designated properties (such as City of Ventura’s City Landmarks)



Mills Act Basics

- Contracts are for a minimum of 10 years and renew annually
- Contracts run with the title of the property
- Non-renewal:
 - If either party wishes to opt out they must notify the other party in writing prior to annual renewal date
 - After opting out, contract will run for the final 10 year term

 CITY OF SAN JOSE CAPITAL OF SILICON VALLEY	<i>Memorandum</i>
TO: HONORABLE MAYOR AND CITY COUNCIL	FROM: Historic Landmarks Commission
SUBJECT: SEE BELOW	DATE: May 11, 2012
<hr/>	
COUNCIL DISTRICT: 3	
<hr/>	
SUBJECT: MA12-003. MILLS ACT HISTORICAL PROPERTY CONTRACT (MA) FOR 418 S. 3RD STREET, THE RUCKER MANSION - CITY LANDMARK HL01- 133	

Mills Act Mathematics

- “Income” or “capitalization” formula used.
- Can result in tax savings of 50 percent or more.
- Formula complex.
- Assessor can calculate actual savings.
- Assessor & BOE determine key elements.



More Mills Act Math

Annually, the Assessor's Office reviews:



- 1. Factored Base Year Value**
(prior change in ownership)
- 2. Current Fair Market Value**
(based on comparable sales)
- 3. Mills Act or Restricted Value**
(based on real or potential rental income)

The lowest of the 3 values is used to calculate the General Levy Property Tax.

Implementing a Program

- Communities can either adopt a program through:
 - Ordinance; or
 - By resolution
- Can target certain properties by limiting what qualifies for the program.
- Can choose the level of enforcement.



Why Adopt a Mills Act Program?



- Place making
- Heritage tourism
- Helps retain character of an area
- Stable property values in maintained areas

Why Adopt a Program?

- Flexibility of the program
- Voluntary
- Only statewide incentive available to single family residential property owners.



Statewide Perspective

- There are approximately 90 programs statewide
- No two programs are alike
- Many local governments have no other preservation program
 - County of Orange



Dramatic Statewide Variation



Contracts:

- San Diego has over 1000 contracts
- Oakland has less than 50

Fees:

- Some local governments still do not charge a fee
- Fees as high as \$6500 have been reported
- Most charge a fee to recover some administrative costs but does not make program participation prohibitive.

Current Statewide Issues

- The law was amended in 2011 to include property inspections by the local government before a contract and every five years thereafter.
- Local governments are being very creative in their efforts to meet this new requirement.



Incentives Summary

- They exist at all levels of government.
 - Federal
 - State
 - Local
- They can be financial or technical in nature.
- They are a positive way to encourage the rehabilitation and retention of a communities significant resources.



Questions & Discussion

Thank You!

Contact Information:

Shannon Lauchner, State Historian II
Local Government & Environmental Compliance Unit
California Office of Historic Preservation
shannon.lauchner@parks.ca.gov
(916)445-7013
www.ohp.parks.ca.gov

